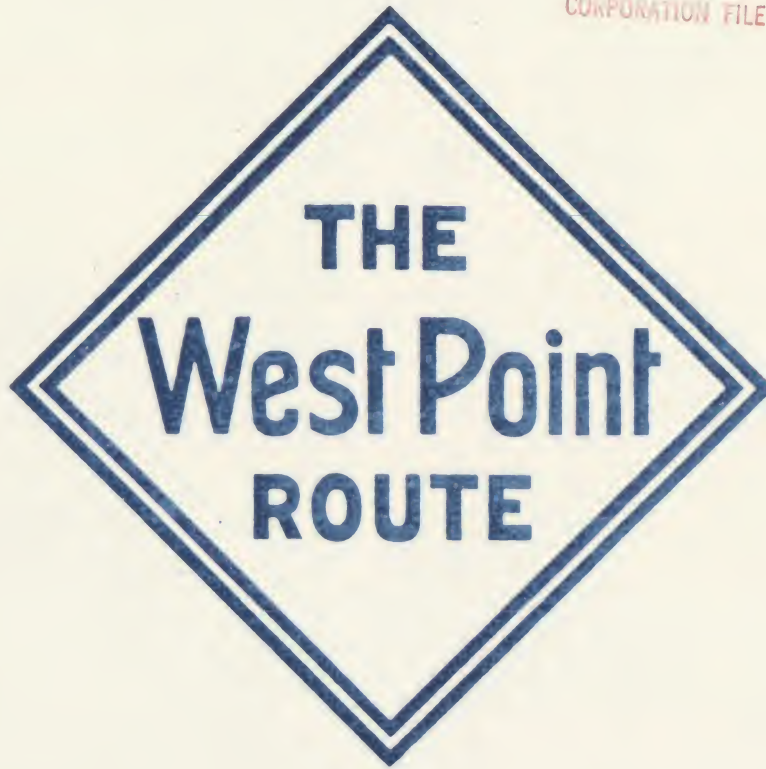


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ATLANTA AND WEST POINT RAIL ROAD COMPANY / ANNUAL REPORT / 1973

1973

ANNUAL REPORT OF
THE ATLANTA AND WEST POINT RAIL ROAD COMPANY
FOR THE YEAR ENDED DECEMBER 31, 1973

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BOARD OF DIRECTORS

J. Arch Avary, Jr., Atlanta, Georgia
Edward G. Cole, Jr., Newnan, Georgia
John W. Dent, Atlanta, Georgia
Joseph L. Lanier, West Point, Georgia
James L. Williams, Atlanta, Georgia
Prime F. Osborn, Louisville, Kentucky
Carl J. Reith, Atlanta, Georgia
W. Thomas Rice, Jacksonville, Florida
Lamar W. Sizemore, Atlanta, Georgia

EXECUTIVE COMMITTEE

James L. Williams
Prime F. Osborn
W. Thomas Rice

THE STAFF

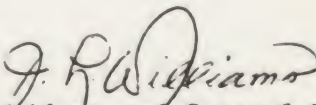
James L. Williams, President and General Manager
Albert A. Ward, Jr., Secretary
Vinson L. Cook, Treasurer
John E. MacCarthy, Comptroller
Horace M. Emerson, Chief Traffic Officer
Adam C. Jones, Jr., General Superintendent-Chief Engineer
Edgar J. Haley, Chief Mechanical Officer-Purchasing Agent
Travis P. King, Asst. to General Manager-Director of Personnel
Ralph W. Williams, Chief Law and Special Agent
Joseph E. Saucier, Manager of Industrial Development
Herbert B. Bainbridge, Jr., Real Estate Agent
Andrew S. Anderson, Manager Data Processing
Heyman and Sizemore, General Counsel

TO OUR STOCKHOLDERS:

The Atlanta and West Point Rail Road Company enjoyed a good year in 1973. Ordinary income before Federal and State taxes on income amounted to \$612,393 during the year. The taxes on income were \$153,660 for 1973, resulting in a net income of \$458,733 for the year or \$18.62 a share of capital stock. Dividends consistent with recent years were paid, amounting to \$10 a share of capital stock. This is indicative of the strong financial condition of your company.

The prospects for 1974 look promising. The first quarter which has just been completed reflects substantial gains over the same period for 1973. This, together with the excellent condition of the plant and facilities of your railroad, places us in an enviable position to take advantage of the growth and expansion of the area we serve. During 1973, we added to the fleet of box cars 102 units which materially assists us in our on-line loadings and laid 5 miles of 115-lb. welded rail on the main line.

We look to the future with confidence. With the endeavors, loyalty and interest of our capable staff of officers and employees our part in that future is secure. We offer our sincere thanks for their contribution to the achievements of 1973.


President and General Manager

Atlanta, Georgia

April 23, 1974

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

35 BROAD STREET, N W

ATLANTA 30303

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AUDITORS' OPINION

Atlanta and West Point Rail Road Company:

We have examined the balance sheet of Atlanta and West Point Rail Road Company as of December 31, 1973 and 1972 and the related statements of income, retained income, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Company maintains its accounts in conformity with the Uniform System of Accounts for Railroad Companies prescribed by the Interstate Commerce Commission and the accompanying financial statements have been prepared in accordance therewith. As explained in Note 1, the provisions of such system vary in certain respects from generally accepted accounting principles.

In our opinion, with the exception referred to in the preceding paragraph, the accompanying financial statements present fairly the financial position of the Company at December 31, 1973 and 1972 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Haskins & Sells

February 22, 1974

BALANCE SHEET

ASSETS

	December 31	
	<u>1973</u>	<u>1972</u>
CURRENT ASSETS:		
Cash	\$ 423,299	\$ 405,834
Temporary cash investments - at cost, which approximates market - certificates of deposit and participations	1,148,354	1,500,000
Net balance receivable from agents	169,545	288,307
Miscellaneous accounts receivable	136,235	
Accrued accounts receivable	530,724	237,459
Material and supplies	151,608	186,535
Prepayments and other current assets	<u>25,447</u>	<u>26,063</u>
Total	<u>2,585,212</u>	<u>2,644,198</u>
SPECIAL FUNDS:		
Insurance and other funds	<u>7,222</u>	<u>6,570</u>
INVESTMENTS:		
Investments in affiliated company - at cost	<u>16,380</u>	<u>16,380</u>
PROPERTIES:		
Road and equipment	14,652,648	12,888,522
Miscellaneous	<u>795,197</u>	<u>805,320</u>
Total properties	15,447,845	13,693,842
Less accrued depreciation and amortization	<u>5,048,917</u>	<u>4,878,218</u>
Total properties less accrued depreciation and amortization	<u>10,398,928</u>	<u>8,815,624</u>
OTHER ASSETS AND DEFERRED CHARGES:		
Other assets	14,952	38,100
Deferred charges	<u>60,734</u>	<u>35,116</u>
Total	<u>75,686</u>	<u>73,216</u>
TOTAL	<u>\$13,083,428</u>	<u>\$11,555,988</u>

BALANCE SHEET
LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31	
	<u>1973</u>	<u>1972</u>
CURRENT LIABILITIES:		
Traffic and car-service balances - net	\$ 385,519	\$ 494,095
Miscellaneous accounts payable	6,185	14,432
Unmatured interest accrued	16,845	10,935
Accrued accounts payable	903,322	456,952
Taxes accrued	<u>143,621</u>	<u>144,161</u>
Total (exclusive of long-term debt due within one year)	<u>1,455,492</u>	<u>1,120,575</u>
 LONG-TERM DEBT DUE WITHIN ONE YEAR:		
Equipment obligations	<u>314,327</u>	<u>207,622</u>
 LONG-TERM DEBT DUE AFTER ONE YEAR:		
Equipment obligations	<u>2,916,155</u>	<u>2,003,155</u>
 RESERVE:		
Insurance	<u>123,321</u>	<u>122,133</u>
 OTHER LIABILITIES AND DEFERRED CREDITS:		
Other liabilities	26,255	26,255
Deferred credits	<u>44,605</u>	<u>85,348</u>
Total	<u>70,860</u>	<u>111,603</u>
 SHAREHOLDERS' EQUITY:		
Capital stock - authorized, 25,000 shares of \$100 par value each;		
outstanding, 24,636 shares	2,463,600	2,463,600
Retained income	<u>5,739,673</u>	<u>5,527,300</u>
Total	<u>8,203,273</u>	<u>7,990,900</u>
 TOTAL	 <u>\$13,083,428</u>	 <u>\$11,555,988</u>

See the accompanying Notes to Financial Statements.

INCOME STATEMENT

	<u>1973</u>	<u>1972</u>
OPERATING REVENUES:		
Freight	\$6,495,484	\$4,798,999
Other	<u>387,478</u>	<u>144,943</u>
Total Operating Revenues	<u>6,882,962</u>	<u>4,943,942</u>
OPERATING EXPENSES:		
Maintenance of way and structures	809,033	625,002
Maintenance of equipment	853,736	762,094
Transportation	2,735,790	1,730,908
Other	<u>627,193</u>	<u>630,941</u>
Total Operating Expenses	<u>5,025,752</u>	<u>3,748,945</u>
Net Revenue from Operations	<u>1,857,210</u>	<u>1,194,997</u>
TAXES OTHER THAN INCOME:		
Property	63,735	66,931
Federal payroll	274,888	194,807
Other	<u>2,701</u>	<u>3,524</u>
Total Taxes other than Income	<u>341,324</u>	<u>265,262</u>
EQUIPMENT AND JOINT FACILITY RENTS - NET	<u>919,906</u>	<u>318,150</u>
Total	<u>1,261,230</u>	<u>583,412</u>
Operating Income before Income Taxes	595,980	611,585
OTHER INCOME - NET	<u>235,360</u>	<u>201,640</u>
Total	831,340	813,225
INTEREST ON DEBT	<u>218,947</u>	<u>104,606</u>
INCOME BEFORE INCOME TAX	612,393	708,619
INCOME TAX	<u>153,660</u>	<u>174,238</u>
NET INCOME (per share: 1973, \$18.62; 1972, \$21.69)	<u>\$ 458,733</u>	<u>\$ 534,381</u>

STATEMENT OF RETAINED INCOME

	<u>1973</u>	<u>1972</u>
Retained income, January 1	\$5,527,300	\$5,239,279
Net income for year	<u>458,733</u>	<u>534,381</u>
Total	5,986,033	5,773,660
Cash dividends to shareholders, \$10.00 per share	<u>246,360</u>	<u>246,360</u>
Retained income, December 31	<u>\$5,739,673</u>	<u>\$5,527,300</u>

See the accompanying Notes to Financial Statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

	<u>1973</u>	<u>1972</u>
SOURCES OF FUNDS:		
Net income	\$ 458,733	\$ 534,381
Depreciation and amortization	373,147	330,771
Other	<u>19,108</u>	<u>1,200</u>
Total from operations	850,988	866,352
Equipment obligations	1,307,365	292,635
Salvage from depreciable transportation property retired	69,039	31,716
Miscellaneous physical property disposed of	3,398	
Decrease in working capital	<u>500,608</u>	
Total	<u>\$2,731,398</u>	<u>\$1,190,703</u>
 APPLICATIONS OF FUNDS:		
Property additions, betterments and replacements	\$2,046,808	\$ 535,548
Equipment obligations	394,365	206,588
Dividends on common stock	246,360	246,360
Increase in working capital		172,188
Miscellaneous applications - net	<u>43,865</u>	<u>30,019</u>
Total	<u>\$2,731,398</u>	<u>\$1,190,703</u>
 CHANGES IN WORKING CAPITAL:		
Increase (decrease) in current assets:		
Cash and temporary investments	\$ (334,181)	\$ 325,038
Accounts receivable	310,738	(8,813)
Materials and supplies	(34,927)	(31,125)
Prepayments and other current assets	<u>(616)</u>	<u>(14,428)</u>
Increase (decrease) in current assets	<u>(58,986)</u>	<u>270,672</u>
Increase (decrease) in current liabilities:		
Accounts and wages payable, etc.	329,547	23,751
Taxes accrued	(540)	77,166
Other current liabilities	<u>112,615</u>	<u>(2,433)</u>
Increase in current liabilities	<u>441,622</u>	<u>98,484</u>
 INCREASE (DECREASE) IN WORKING CAPITAL	\$ (500,608)	\$ 172,188

See the accompanying Notes to Financial Statements.

1. Summary of Significant Accounting Policies:

Variance from generally accepted accounting principles - The provisions of the Uniform System of Accounts for Railroad Companies prescribed by the Interstate Commerce Commission vary from generally accepted accounting principles in that, under the Uniform System, no accounting recognition is given to deferred income taxes resulting from the deductions for depreciation and amortization of property for income tax purposes in excess of the amounts recorded in the accounts.

Inventories - Material and supplies are stated at average cost.

Properties and depreciation - Properties are stated at estimated original cost determined by the Interstate Commerce Commission valuations, plus additions and betterments at cost and less retirements since the date of valuation. The current cost of renewals of parts of the track structure is charged to maintenance expense, and additions and betterments to the structures are capitalized. Depreciation on rail and other track material, other road, and equipment is computed on a straight-line basis, using a composite rate for each class of property.

Investment credit - The Company uses the "flow-through" method of accounting for the investment tax credit.

Pension plan - The Company has an unfunded, non-contributory pension plan for officers and supervisory employees but reserves the right to discontinue the plan at any time. Amounts paid to retired employees are charged to operating expenses. The amounts required to provide for current and past service costs would not have been material.

2. Income Taxes:

The deferred income taxes described in Note 1 included in retained income at December 31, 1973 were \$315,000, after an increase of such amount by \$2,000 in 1973 and \$4,000 in 1972.

Federal income taxes have been reduced by investment tax credits of approximately \$145,000 in 1973 and \$155,000 in 1972.

3. Depreciation:

Depreciation expense has been recorded in the following amounts:

	<u>1973</u>	<u>1972</u>
Rail and other track material	\$ 80,144	\$ 75,598
Other property	<u>293,003</u>	<u>255,173</u>
Total	<u>\$373,147</u>	<u>\$330,771</u>

4. Pension Expense:

Pension expense for 1973 and 1972 was \$39,000 and \$37,000, respectively.

5. Service Interruption Policy:

The Company carries a service interruption policy under which it will be entitled to indemnity for certain work stoppage losses. In the event such losses are sustained by other railroads holding similar policies, the Company may be obligated to pay additional premiums, subject to a maximum premium of \$144,000.

6. Leases:

The Company leases rolling stock under noncancelable leases expiring at various dates to 1982. Annual minimum rentals under such leases for the five years 1974 through 1978 are approximately \$187,000, \$187,000, \$183,000, \$174,000, and \$174,000, respectively. Total minimum rentals for 1979 through 1982 are approximately \$395,000.

7. Equipment Obligations:

Equipment obligations are due at various dates through 1988 and the interest rates range from 4.2% to 10%. Interest rates on certain obligations are subject to variations in the prime rate. Maturities of equipment obligations during each of the five years subsequent to December 31, 1973 are \$315,000, \$315,000, \$298,000, \$298,000, and \$290,000.

OPERATING REVENUES

Year	Freight	Passenger	Mail and Express	Other	Net Joint Facility	Total Operating Revenues
1964	\$2,755,143	\$208,329	\$ 335,807	\$ 114,942	\$ 75,590	\$3,489,811
1965	2,901,129	176,887	308,241	101,892	73,194	3,561,343
1966	3,106,766	170,937	311,318	123,266	80,965	3,793,252
1967	3,192,311	97,092	187,794	117,924	57,423	3,652,544
1968	3,435,511	66,478	119,954	111,796	46,543	3,780,282
1969	3,479,492	43,230	86,907	85,310	48,291	3,743,230
1970	3,980,724	1,666	2,005	73,543	43,097	4,101,035
1971	4,778,211			159,677	29,474	4,967,362
1972	4,798,999			129,076	15,867	4,943,942
1973	6,495,484			366,150	21,328	6,882,962

OPERATING EXPENSES

Year	Maintenance of Way and Structures	Maintenance of Equipment	Trans- portation	Other	Total Operating Expenses	Operating Ratios
1964	\$ 435,764	\$689,478	\$1,534,143	\$ 470,949	\$3,130,334	89.70
1965	441,221	687,772	1,547,500	496,863	3,173,356	89.11
1966	453,785	670,469	1,580,277	508,471	3,213,002	84.70
1967	457,273	662,570	1,469,887	511,311	3,101,041	84.90
1968	449,287	626,747	1,367,494	458,266	2,901,794	76.76
1969	504,623	602,892	1,337,764	455,097	2,900,376	77.48
1970	504,724	571,060	1,267,814	458,552	2,802,150	68.33
1971	586,762	596,315	1,534,823	562,528	3,280,428	66.04
1972	625,002	762,094	1,730,908	630,941	3,748,945	75.83
1973	809,033	853,736	2,735,790	627,193	5,025,752	73.02

INCOME

Year	Net Revenue from Railway Operations	Railway Tax Accruals	Net Equip- ment and Joint Facility Rents	Net Other Income	Fixed Charges	Net Income
1964	\$ 359,477	\$202,985	\$ -279,717	\$ 131,642	\$ 30,465	\$ -22,048
1965	387,987	207,354	-321,458	120,776	45,571	-65,620
1966	580,250	222,635	-355,121	207,268	55,724	154,038
1967	551,503	219,966	-363,537	115,146	56,384	26,762
1968	878,488	223,255	-498,517	-177,153	70,868	-91,305
1969	842,854	222,131	-388,459	187,097	129,601	289,760
1970	1,298,885	490,340	-324,413	1,192,816	154,391	1,522,557
1971	1,686,934	621,492	-372,637	178,432	126,972	744,265
1972	1,194,997	439,500	-318,150	201,640	104,606	534,381
1973	1,857,210	494,985	-919,906	235,360	218,947	458,732

- Decrease

CLASSIFICATION OF FREIGHT TRAFFIC

Commodity	1973		1972		Increase or Decrease Tons
	No. of Tons	Pct to Total Tons	No. of Tons	Pct to Total Tons	
Farm Products	192,490	3.46	170,657	4.66	21,833
Forest Products	3,246	.06	576	.02	2,670
Fish and Other Marine Products	2,154	.04	697	.02	1,457
Metallic Ores	334,760	6.02	213,839	5.84	120,921
Coal	26,220	.47	14,965	.41	11,255
Crude Petroleum, Natural Gas and Natural Gasoline	66				66
Nonmetallic Minerals, Except Fuels	857,997	15.42	713,627	19.49	144,370
Ordnance and Accessories	19,272	.35	36,006	.98	-16,734
Foods and Kindred Products	427,363	7.68	232,753	6.36	194,610
Tobacco Products	6,380	.11	4,192	.11	2,188
Basic Textiles	20,215	.36	11,217	.31	8,998
Apparel and Other Finished Textile Products, including Knitted	4,336	.08	2,897	.08	1,439
Lumber and Wood Products, except Furniture	471,031	8.46	389,496	10.63	81,535
Furniture and Fixtures	21,615	.39	8,334	.23	13,281
Pulp, Paper and Allied Products	697,511	12.54	304,618	8.32	392,893
Printed Matter	877	.02	697	.02	180
Chemicals and Allied Products	1,085,328	19.50	552,607	15.09	532,721
Petroleum and Coal Products	352,735	6.34	248,863	6.79	103,872
Rubber and Miscellaneous Plastic Products	27,434	.49	23,928	.65	3,506
Leather and Leather Products	120		102		18
Stone, Clay and Glass Products	577,856	10.39	477,034	13.02	100,822
Primary Metal Products	105,989	1.91	57,295	1.56	48,694
Fabricated Metal Products, except Ordnance Machinery and Transportation	48,144	.87	37,938	1.04	10,206
Machinery, except Electrical	15,375	.28	7,663	.21	7,712
Electrical Machinery, Equipment and Supplies	11,297	.20	25,012	.68	-13,715
Transportation Equipment	17,768	.32	17,111	.47	657
Instruments, Photographic and Optical Goods, Watches and Clocks	473	.01	280	.01	193
Miscellaneous Products of Manufacturing	4,611	.08	1,998	.05	2,613
Waste and Scrap Material	95,661	1.72	85,413	2.33	10,248
Miscellaneous Freight Shipments	2,203	.04	780	.02	1,423
Containers, Shipping Returned Empty	1,938	.03	771	.02	1,167
Freight Forwarder Traffic	1,061	.02	18		1,043
Shipper Association or Similar Traffic	4,759	.08	303	.01	4,456
Miscellaneous Mixed Shipments, except Forwarder and Shipper Association	124,512	2.24	20,217	.55	104,295
Total Carload Traffic	5,562,797	99.98	3,661,904	99.98	1,900,893
Small Packaged Freight Shipments	712	.02	628	.02	84
Grand Total	5,563,509	100.00	3,662,532	100.00	1,900,977

- Decrease

MILEAGE OPERATED

Miles of road operated at December 31, 1973:

MAIN LINE:

Atlanta to West Point	85.62	
Hulsey Junction to Oakland City	<u>5.16</u>	90.78

TRACKAGE RIGHTS:

Central of Georgia Railway, Oakland Junction	.05	
Georgia Railroad (Atlanta Joint Terminals)	<u>2.02</u>	<u>2.07</u>
Total mileage operated		<u><u>92.85</u></u>

TRAIN, LOCOMOTIVE AND CAR MILES

CLASS	<u>1973</u>	<u>1972</u>	Increase or <u>Decrease</u>
TRAIN MILES			
Freight	<u>183,142</u>	<u>172,574</u>	<u>10,568</u>
TOTAL TRAIN MILES	<u><u>183,142</u></u>	<u><u>172,574</u></u>	<u><u>10,568</u></u>
LOCOMOTIVE MILES			
Freight	452,790	456,362	-3,572
Switching	<u>66,553</u>	<u>63,953</u>	<u>2,600</u>
TOTAL LOCOMOTIVE MILES	<u><u>519,343</u></u>	<u><u>520,315</u></u>	<u><u>-972</u></u>
FREIGHT CAR MILES			
Freight Loaded	8,367,493	4,976,098	3,391,395
Freight Empty	6,039,823	3,674,655	2,365,168
System Caboose	<u>253,020</u>	<u>163,117</u>	<u>89,903</u>
TOTAL FREIGHT CAR MILES	<u><u>14,660,336</u></u>	<u><u>8,813,870</u></u>	<u><u>5,846,466</u></u>

- Decrease





ATLANTA AND WEST POINT RAIL ROAD COMPANY / 4 HUNTER ST./ATLANTA, GA.